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INTRODUCTION

The Office of Internal Audit performed an audit of Hillsdale County FIA for the period October 1, 2000 through August 30, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Hillsdale County FIA had 46 full time equated positions (FTE's) at the time of our review. Hillsdale County FIA provided assistance to an average 1,627 recipients per month during FY 2000, with total assistance payments of \$1,896,528 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Hillsdale County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

General Ledger

Modified Accrual Basis Balance Sheet

Safe and Controlled Documents

Medical Transportation

Payroll and Timekeeping

State Emergency Relief (SER)

Employment Support Services

Client Processing

CIS/ASSIST

IRS Information Security

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Hillsdale County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Hillsdale County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated January 15, 2002 that they are in general agreement with the report, however, noted that they could not get cooperation from the U.S. Post Office.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Negotiable Instruments

1. Hillsdale County FIA did not have adequate control over negotiable instruments received in the mail. The U.S. Postal Service delivered the mail to an unsecured mail box at the rear of the building. The Agency's Primary Internal Control Criteria for Local/District Offices states that mail delivered by the U.S. Postal Service should be placed in a secure depository box.

WE RECOMMEND that Hillsdale County FIA change their mail box to a secure depository box.

Cash Disbursements

No findings in this area.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

Case File Documentation

2. Hillsdale County FIA did not always follow established policy in documenting Employment Support Services (ESS) purchases. We reviewed 10 case files for proper documentation. In 6 cases, we could not find documentation that the worker verified that the item or service was not covered by the Michigan Works Agency. For one client, we could not find the Emergency Support Services documentation packet. Program Eligibility Manual (PEM) Item 232 requires that workers check the Management Information System (MIS) for previously authorized services prior to authorizing an ESS purchase.

WE RECOMMEND that Hillsdale County FIA workers check MIS before authorizing ESS purchases, and document their actions in the case file.

Client Processing

No findings in this area.

CIS/ASSIST

No findings in this area.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Record and Retention

3. The Hillsdale County FIA timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A.) The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Hillsdale County FIA have the certifier or someone other than the timekeeper retain the HR-332A.